

FINANCIAL INFORMATION

1. Financial Viability/Standards Compliance

Contractor shall meet and maintain financial viability/standards compliance to DHS' satisfaction for each of the following elements:

A. Tangible Net Equity (TNE).

Contractor at all times shall be in compliance with the TNE requirements in accordance with Title 28, CCR, Section 1300.76.

B. Administrative Costs.

Contractor's Administrative Costs shall not exceed the guidelines as established under Title 22, CCR, Section 53864(b).

C. Standards of Organization and Financial Soundness.

Contractor shall maintain an organizational structure sufficient to conduct the proposed operations and ensure that its financial resources are sufficient for sound business operations in accordance with Title 28, CCR, Sections 1300.67.3, 1300.75.1, 1300.76.3, 1300.77.1, 1300.77.2, 1300.77.3, 1300.77.4, and Title 22, CCR, Sections 53851, 53863, and 53864.

D. Working capital and current ratio of one of the following:

1. Contractor shall maintain a working capital ratio of at least 1:1; or
2. Contractor shall demonstrate to DHS that Contractor is now meeting financial obligations on a timely basis and has been doing so for at least the preceding two years; or
3. Contractor shall provide evidence that sufficient noncurrent assets, which are readily convertible to cash, are available to achieve an equivalent working capital ratio of 1:1, if the noncurrent assets are considered current.

2. Financial Audit Reports

Contractor shall ensure that an annual audit is performed according to Welfare & Institution Code, Section 14459. Combined Financial Statements shall be prepared to show the financial position of the overall related health care delivery system when delivery of care or other services is dependent upon Affiliates. Financial Statements shall be presented in a form that clearly shows the financial position of Contractor separately from the combined totals. Inter-entity transactions and profits shall be eliminated if combined statements are prepared. If an independent accountant decides that preparation of combined statements is inappropriate, Contractor shall have separate certified Financial Statements prepared for each entity.

- A. The independent accountant shall state in writing reasons for not preparing combined Financial Statements.

- B. Contractor shall provide supplemental schedules that clearly reflect all inter-entity transactions and eliminations necessary to enable DHS to analyze the overall financial status of the entire health care delivery system.
1. In addition to annual certified Financial Statements, Contractor shall complete the State Department of Managed HealthCare (DMHC) required financial reporting forms. The Certified Public Accountant's audited Financial Statements and the DMHC required financial reporting forms shall be submitted to DHS no later than 120 calendar days after the close of Contractor's Fiscal Year.
 2. Contractor shall submit to DHS within forty-five (45) calendar days after the close of Contractor's fiscal quarter financial reports required by Title 22, CCR, Section 53862(b)(1). The required quarterly financial reports shall be prepared on the DMHC required financial reporting forms and shall include, at a minimum, the following reports/schedules:
 - a. Jurat.
 - b. Report 1A and 1B: Balance Sheet.
 - c. Report 2: Statement of Revenue, Expenses, and Net Worth.
 - d. Statement of Cash Flow, prepared in accordance with Financial Accounting Standards Board Statement Number 95 (This statement is prepared in lieu of Report #3: Statement of Changes in Financial Position for Generally Accepted Accounting Principles (GAAP) compliance.)
 - e. Report 4: Enrollment and Utilization Table.
 - f. Schedule F: Unpaid Claims Analysis.
 - g. Appropriate footnote disclosures in accordance with GAAP.
- C. Contractor shall authorize its independent accountant to allow DHS designated representatives or agents, upon written request, to inspect any and all working papers related to the preparation of the audit report.
- D. Contractor shall submit to DHS all financial reports relevant to Affiliates as specified in Title 22, CCR, Section 53862(c)(4).
- E. Contractor shall submit to DHS copies of any financial reports submitted to other public or private organizations as specified in Title 22, CCR, Section 53862(c)(5).

3. Monthly Financial Statements

Contractor and/or sub-contractors may be required to file monthly Financial Statements at DHS' request. If the Contractor and/or sub-contractor is required to file monthly Financial Statements with the DMHC, Contractor and/or sub-contractor shall file monthly Financial Statements with DHS.

4. Compliance with Audit Requirements

Contractor shall cooperate with DHS' audits.

5. Submittal of Financial Information

Contractor shall prepare financial information requested in accordance with GAAP and where Financial Statements/projections are requested, these statements/projections should be prepared in accordance with the 1989 HMO Financial Report of Affairs and Conditions Format. Where appropriate, reference has been made to the Knox-Keene Health Care Service Plan Act of 1975 Rules found under Title 28, CCR, Section 1300.51 et. seq. Information submitted shall be based on current operations. Contractor and/or sub-contractors shall submit financial information consistent with filing requirements of the DMHC unless otherwise specified by DHS.

Contractor shall prepare and submit a stand-alone Medi-Cal line of business income statement for each financial reporting period required. This income statement shall be prepared in the DMHC required financial reporting format.

6. Fiscal Viability of Subcontracting Entities

Contractor shall maintain a system to evaluate and monitor the financial viability of all sub-contracting provider groups such as HMOs, independent physician/provider associations (IPAs), medical groups, and Federally Qualified Health Centers.